

**OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE**

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Contact: Richard Mills, Ricardo Reyes (202) 395-3230

**U.S. Advances Bold Proposals in FTAA Negotiations  
to Create World's Largest Free Market in 2005**

WASHINGTON - The United States announced today a bold, comprehensive offer to eliminate tariffs and trade barriers in the negotiations for the Free Trade Area of the Americas, a \$13 trillion market of 34 countries and nearly 800 million people. The U.S. is offering to eliminate its import duties on the majority of industrial and agricultural imports from the Western Hemisphere immediately upon entry into force of the FTAA, and is offering broad access to its services, investment and government procurement sectors. In addition, the U.S. is offering that textiles and apparel imports from the region would be duty-free in the U.S. just five years after the FTAA takes effect, provided other countries reciprocate.

"It is our shared hemispheric vision that free trade and openness benefits everyone and provides opportunity, prosperity and hope to all our peoples. President Bush has made the FTAA a top U.S. priority, and today we deliver with bold proposals to lower barriers throughout the region," said U.S. Trade Representative Robert B. Zoellick. "The United States has created a detailed roadmap for free trade in the Western Hemisphere - we've put all our tariffs on the table because free trade benefits all and brings us closer together as neighbors."

The U.S. offer sets an important benchmark in the market access negotiations, and demonstrates U.S. leadership as negotiations move into a critical and substantive phase. To encourage other FTAA countries to make equally ambitious market access proposals, today's U.S. offer only extends to those FTAA countries that put their own offers on the table. Over the next several months, the United States and other FTAA countries will respond to each other's initial offers and begin negotiations in preparation for the Miami Ministerial meeting in November, which the United States is co-chairing with Brazil. The U.S. offer covers five key areas of the negotiations: consumer and industrial goods; agriculture; services; investment; and government procurement.

"The U.S. is already a very open market. The FTAA will benefit American farmers, workers, consumers and businesses by reducing high tariffs and trade barriers throughout

the rest of the Western Hemisphere, while promoting regional economic growth and integration. The United States shares a hemispheric responsibility with our co-chair Brazil in helping to lead these negotiations to success, and we look forward to building on our good work and cooperation," added Zoellick.

The U.S. offers provide different rates of reductions in trade barriers throughout the region to reflect the wide disparity in economic size and development among FTAA countries. The 34 countries had earlier agreed that differences in the levels and development and size of economies should be taken into account in the developments of the market access offers. The United States has consulted extensively with Congress and trade advisory groups over several months during the drafting of these offers, summaries of which were released today.

#### **Highlights of the U.S. FTAA Offer:**

- About 65% of U.S. imports of consumer & industrial goods from the Hemisphere (not already covered by NAFTA) would be duty-free immediately upon effectiveness of FTAA, with all duties on consumer & industrial products eliminated by 2015.
- For U.S. imports of textiles and apparel from FTAA countries, the offer is even bolder: we propose to move to zero tariffs in just five years, provided other countries reciprocate.
- To jump start the move toward open markets, immediate elimination of tariffs is offered on a reciprocal basis in key sectors such as chemicals, construction and mining equipment, electrical equipment, energy products, environmental products, information technology, medical equipment, non-woven fabric, paper, steel, and wood products.
- About 56% of agricultural imports from the Hemisphere would be duty-free immediately when FTAA takes effect. Other agricultural tariffs fall into staging categories of 5 years, 10 years, or longer, tailored to individual countries.
- Market access opportunities would be provided broadly across the U.S. investment and services sector, with markets open unless a specific exception is taken. This presumption for market opening-a "negative list"-is similar to U.S. free trade agreements (FTA) with Chile and Singapore.
- Companies in FTAA countries would be able to compete for U.S. government procurement contracts on an equal footing with firms from current NAFTA partners. This market opportunity covers nearly all the goods and services purchased by 51 federal government agencies.

Today's offer to FTAA countries is designed to mesh with broad U.S. initiatives in the World Trade Organization (WTO) negotiations. For example, the U.S. FTAA offer

envisions the elimination of consumer and industrial tariffs no later than 2015, which is in line with the U.S. "Tariff-Free World 2015" proposal in the WTO. The U.S. offer also is intended to spur increased cooperation in the WTO on important global issues, such as the U.S. proposal to eliminate agricultural export subsidies in all WTO members and to reduce substantially trade-distorting farm supports.

In addition to the FTAA and WTO, the United States is pursuing an aggressive strategy of global trade liberalization through bilateral agreements. In the last month, the United States has launched FTA negotiations with five Central American nations (Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua); with Morocco; and with the nations of the Southern African Customs Union (SACU - Botswana, Lesotho, Namibia, South Africa and Swaziland). The United States also recently completed FTA negotiations with Singapore and Chile.

In order to facilitate the FTAA negotiations, the United States is providing assistance and coordinating trade capacity building throughout the Western Hemisphere. Last November at the FTAA Ministerial Meeting in Quito, Ecuador, the United States won endorsement from ministers for the Hemispheric Cooperation Program (HCP), a comprehensive trade capacity-building program to help small and developing countries in the region to fully benefit from the FTAA. In FY 2002, the United States provided over \$102 million in trade capacity building activities to countries participating in the FTAA. AID represents approximately 65% of total US government trade capacity building assistance.